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EXPANDING EMPLOYMENT IN A PLURALISTIC ECONOMY, SEMINAR ON MANPOWER POLICY AND PROGRAM (OCTOBER 1966).

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MANPOWER ADMINISTRATION (DOL), WASHINGTON, D.C.

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THE PROPOSITION WAS THAT THE CONVENTIONAL MODEL USED FOR OUR AMERICAN ECONOMY IS FUNDAMENTALLY FAULTY BECAUSE IT ASCRIBES TO THE PRIVATE PROFIT-SEEKING SECTOR THE BASIC DYNAMISM FOR AMERICAN ECONOMIC DEVELOPMENT. HOWEVER, THE NOT-FOR-PROFIT SECTOR, WHICH INCLUDES NONPROFIT INSTITUTIONS AND GOVERNMENT, ACCOUNTED FOR AT LEAST 27 PERCENT OF THE GROSS NATIONAL PRODUCT IN 1963. GOVERNMENTAL AND NONPROFIT INSTITUTIONS ARE BEING TRANSFORMED INTO ENTREPRENEURIAL STRUCTURES. THEY PLAY A CRITICAL ROLE IN THE DEVELOPMENT OF TRAINED MANPOWER SUCH AS PHYSICIANS, LAWYERS, ECONOMISTS, ENGINEERS, AND CHEMISTS. ECONOMIC ACTIVITIES IN NONPROFIT INSTITUTIONS AND GOVERNMENT HAVE SIGNIFICANT ECONOMIC EFFECTS ON PRIVATE ENTERPRISE IN UNDERTAKINGS SUCH AS URBAN RENEWAL, AND NUCLEAR POWER AND PRIVATE REGIONAL DEVELOPMENT. FISCAL AND MONETARY ARRANGEMENTS CAN CONTRIBUTE GREATLY TO PROVIDING NEEDED JOBS, BUT NEW ENTERPRISES, NEW PRODUCTS, AND NEW SERVICES ARE NEEDED. INNOVATION AND ENTERPRISE IN THE NOT-FOR-PROFIT SECTOR ARE THE PRECONDITIONS FOR EXPANDING EMPLOYMENT. BETTER SOCIAL INSTRUMENTS FOR MANPOWER ANALYSIS AND TRAINING ARE NECESSARY TO INSURE THAT MANPOWER SUPPLIES ARE IN REASONABLE BALANCE WITH NEEDS. SINCE TWO-THIRDS OF ALL OUR EMPLOYMENT TODAY IS IN THE SERVICE SECTOR WHICH IS HEAVILY ANCHORED IN THE NOT-FOR-PROFIT SECTOR, IT IS IMPORTANT TO EVOLVE A WAY FOR THE MARKET SYSTEM TO WORK BETTER IN THIS AREA. A GROUP DISCUSSION OF THE SPEECH, MODERATED BY HOWARD ROSEN, IS INCLUDED. THIS SPEECH WAS PRESENTED AT THE SEMINAR ON MANPOWER POLICY AND PROGRAM (WASHINGTON, OCTOBER 7, 1966). COPIES OF THIS DOCUMENT ARE AVAILABLE FROM MANPOWER ADMINISTRATION, OFFICE OF MANPOWER POLICY, EVALUATION, AND RESEARCH, U.S. DEPARTMENT OF LABOR, 14TH STREET AND CONSTITUTION AVENUE, N.W., WASHINGTON, D.C. 20210. (ET)

# SEMINAR ON MANPOWER POLICY AND PROGRAM

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# Expanding Employment in a Pluralistic Economy

by ELI GINZBERG

U.S. DEPARTMENT OF LABOR, W. Willard Wirtz, Secretary
MANPOWER ADMINISTRATION

- This report is one in a series of proceedings of Seminars on Manpower Policy and Program sponsored by the Manpower Administration. It presents a condensed transcript of the seminar held in Washington, D.C., October 7, 1965.

- The purpose of the seminars is to provide a platform for guest speakers and for members of the Department of Labor and other agencies concerned with manpower problems to discuss issues arising from the development of an Active Manpower Policy.

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VOCATIONAL AND TECHNICAL EDUCATION
THE OHIO STATE UNIVERSITY

SEMINAR ON MANPOWER POLICY AND PROGRAM

October 1966

# Expanding Employment in a Pluralistic Economy

by ELI GINZBERG

# OPENING REMARKS

## Chairman—Dr. Robert D. Calkins
## President, The Brookings Institution

DR. CALKINS: It is a real pleasure for me today to introduce our speaker, who is an old friend and former colleague. His subject is "Expanding Employment in a Pluralistic Economy." Eli Ginzberg has served as chairman of the National Manpower Advisory Committee since 1962. This is only one of his contributions to the development of human resources, a subject in which he has long had an interest. He is director of the Conservation of Human Resources projects at Columbia University. He is a consultant to the Department of Labor and an advisor to the Committee on Chronic Illness. From 1951 to 1961 he directed the staff studies for the National Manpower Council. In 1960 he acted as chairman of the Study Commission for the White House Conference on Children and Youth. Dr. Ginzberg is a professor of economics on the faculty of the Columbia University Graduate School of Business.

He has published more than 20 books and numerous articles. He began with *The House of Adam Smith*. His more recent books include: *The Uneducated; The Labor Leader; Occupational Choice; The Optimistic Tradition and American Youth; Talent and Performance;* and the most recent one, *The Pluralistic Economy*. He is a member of the Economic Association; Academy of Political Science; Phi Beta Kappa; Fellow, American Association for the Advancement of Science.

I have always found Eli Ginzberg to be one of the most stimulating of colleagues. He is one of those rare persons who writes

readable books. He is a person who is more interested in new ideas than in mulling over old ones. He is an original thinker and a most stimulating teacher. It is a real privilege to have him here, and I am sure that he will have some fresh thinking and new ideas for you today. It is a pleasure, Eli, to present you to this audience.

# EXPANDING EMPLOYMENT IN A PLURALISTIC ECONOMY

**An Address by Dr. Eli Ginzberg**

DR. GINZBERG: Thank you, Dr. Calkins.

When that shower, which is a natural phenomenon with which New Yorkers are no longer familiar, came down this afternoon (in fact, I had to go way back into my childhood to recall it), I was trying to figure out how to reconcile myself and, particularly, Dr. Calkins' busy schedule, with the fact that there might be only a dozen in the audience. I recalled a concept which is really part of my general approach to manpower: It's quality that counts, not quantity. But now we have the quantity, too.

I am grateful to all of you who braved the elements on a day like today.

It is particularly appropriate that I present some considerations to you about a pluralistic economy under these particular auspices.

In *The Pluralistic Economy* there is an acknowledgment of the help given us by the U.S. Department of Labor. But I failed to mention specifically the Office of Manpower, Automation and Training.[1] I can now right that error. It is appropriate that we meet today to discuss a piece of research that was sponsored by OMAT.

Dr. Calkins, who formerly was my dean, was very flattering. He said we were colleagues. I suppose some deans are col-

[1] Former title; now the Office of Manpower Policy, Evaluation, and Research.

leagues and that I looked on him as a colleague. But he was my dean, my boss for a period of years at Columbia, and he long had a particular interest in the interrelationships between the private and public sector. He once tried to change the name of our school from the School of Business to the School of Public and Business Administration and, receiving the usual lack of cooperation that colleagues give deans, he failed. But he tried. I am interested in evaluating deans not by what they do, but what they try to do. He has also been directly interested, as the revitalization of Brookings shows so clearly, in the relationship between research and policy. This is the bond of affinity between the two of us, since I am also interested in research from the viewpoint of policy.

That is what I am going to talk about today with regard to the manpower area. To set the stage: I will go beyond the limits of the pluralistic economy and make a few references to a second study we have completed, *Manpower and the Growth of Nuclear Power* (James Kuhn), and a third study which is called *Manpower and the Growth of Producers' Services* (Harry Greenfield).

First, I want to put before you certain propositions emerging from our research. Then I want to reflect on what these new dimensions, or more recently recognized dimensions of the economy seem to me and to my coauthors (Dale L. Hiestand and Beatrice G. Reubens) to mean from a policy point of view. And, then, I hope we will have a lively discussion.

I will put our first proposition briefly: The conventional model which we have used for our American economy is fundamentally faulty. It is faulty in that it ascribes to the private profit-seeking sector the basic dynamism for American economic development. Now, I do not want to denigrate the significance of the private profit-seeking sector, but I want to put it into a more correct perspective. There is, in addition, considerable dynamism in the nonprofit institutions and in the government sector which, together, my colleagues and I have called the not-for-profit sector. There are, then, two or three sectors of the economy, depending on

whether we group the nonprofit institutions and government together.

Let me show you what this means in GNP and employment terms. In terms of 1963 data, the not-for-profit sector accounted for at least 27 percent of the gross national product and, because data collection is very inadequate, I suspect that it's closer to 30 or 33 percent; 30 is probably conservative.

On the employment side, the proportion accounted for by the not-for-profit sector is even more striking. In 1960 this sector accounted for a minimum of 32 percent of direct and indirect employment. Indirect employment means that part of employment paid for by government for products that the government alone uses, such as its purchases from the big aerospace companies. Direct employment in the not-for-profit sector and the indirect employment generated by governmental purchases accounted for 32 percent. I suspect that, both because of the passage of several years and the inadequacy of the statistics reported, it is likely to be closer to 40 percent now. That means that today about one-third of the national income and 2 out of every 5 jobs in the United States are generated outside of the private sector. Now that is a striking fact, a phenomenon not really understood, not congruent with our conventional picture, either as propounded by the business conservatives or the liberals and reformers because they do not like to think in these terms. They are unhappy with the notion that this is the nature of the American economy.

Now dynamism has to do with change. Let me call your attention to the proportion of the net gains in employment in the 1930's, the 1940's, and the 1950's, accounted for by the not-for-profit sector. You should not be too surprised to find that in the thirties, all of the gains were accounted for by that sector. In the forties, the not-for-profit sector grew a little bit faster than the private economy, even though the second half of the decade saw a heavy restocking boom in the private sector. But during the 1950's, 7 out of 8 *net new* jobs were created in the not-for-profit

sector. An extreme formulation might put it that employment in the private sector in Russia grew relatively more rapidly in those 10 years than it did in this country.

The emphasis here is on net new jobs. That means new jobs created by the private sector in addition to replacements for the jobs which technology and economic improvement have liquidated in the private sector. Our experience in the fifties was one of big gains in productivity; but with regard to employment, all the private sector was able to do was to replace the jobs that were liquidated, and add 1 out of the 8 new jobs created in the economy as a whole in this period. This means that 7 out of 8 new jobs were added outside of the private sector. I have no reason to believe that the present decade is fundamentally different from the fifties. There may be slight changes, but that a large part of the gains in employment is going to take place in the not-for-profit sector seems clear.

When we move away from the totals and begin to look more closely at the occupational bands, one might say, "We have come to think of scientific technology as being the heart of the dynamism of our system; where are the engineers and the scientists employed?" Then the not-for-profit sector becomes even more important. Disregarding the exact data for the moment, especially since there are different ways of counting them, I will put this as a conservative statement: Two-thirds of all research and technical personnel are employed in the not-for-profit sector. Hence, the question of how these people make a living has a crucial bearing on the dynamism of the economy. Engineers and scientists are very heavily tied up with this sector. This includes, of course, most of those who work for the aerospace companies. To reinforce this point: What are the three dynamic industries of the 1950's and the early 1960's? Health, education, and defense. Those are the big expanding industries. And they are the three industries that are heavily grounded in nonprofit institutions—the hospitals; education, heavily governmental and nonprofit; and defense.

Edward Mason of Harvard was one of the first people to become aware of the fact that American manufacturing, durable manufacturing, has become heavily tied in with the defense program in the last decade. This indicates the interrelationship between the not-for-profit sector and the profit sector.

The next point is that governmental and nonprofit institutions are being transformed into entrepreneurial structures. Mr. Herbert Hoover conceived of government as a group of bureaucrats who spend the taxpayers' money wastefully while moving pieces of paper around. This is a conventional American view of bureaucrats. Actually, an increasingly large section of government is beginning to operate as the market economy operates. Many governmental enterprises go into the private market for capital. They use a pricing system. They sell their goods to consumers. They may even make a charge for the equivalent of taxes. When the Port of New York Authority (a tax-exempt instrumentality) makes a deal with the City of New York, it does not pay taxes, but it gives New York City a sum of money in lieu of taxes.

Our conventional views about government are increasingly antiquated. The toll road system is an example. Some of the western State universities that are not as fortunate as the State of California have begun to charge for tuition. That begins to make them look not much different from private institutions. At the same time and largely for the same reason, most nonprofit institutions are increasingly being transformed into marketlike institutions. Columbia University recently put out an annual report on its financial position. The second sentence of the report states: "Columbia University is big business." The report goes on to point out that the annual rate of expenditures is about $100,000,000 a year. Incidentally, about $45,000,000 are in contracts, largely from the Federal Government.

The hospitals have become overwhelmingly marketlike institutions. Philanthropic support accounts for only 4 percent of total operating expenditures of all voluntary hospitals in the United States. Everything else is paid for by the patients, by insurance,



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or by government, which buys medical care for people in need. So 96 percent is paid for by the marketplace. That is the only way large nonprofit institutions can operate if their services are going to be used by the public at large. Government can do some things and philanthropy can do some things for small numbers of people. But expensive services for large numbers of people or for all the people cannot be paid for easily by general taxes. It is difficult enough to maintain a good higher educational system on general taxes. We have, therefore, a transformation of the governmental and nonprofit institutions into profitlike institutions.

The next point is that the nonprofit institutions and government play a critical role in the development of trained manpower. The private economy has little if anything to do with the training of manpower. It is, of course, involved in on-the-job training. But the preparing of physicians, lawyers, economists, engineers, chemists, and so on is done in the not-for-profit sector. Now, in an earlier day when the economy made relatively small use of technical and scientific personnel, broadly defined, the adjustment between what the universities produced and what the economy needed was easy and relaxed. But a modern economy does not operate that way.

Engineers and scientists are the fastest growing occupational group. We cannot enlarge defense programs, we cannot assure the security of the United States unless the training mechanism is operating effectively. It is not surprising, therefore, that the first breakthrough in Federal support for education occurred in relationship to scarce personnel at the higher levels—in the National Defense Education Act. It did not matter what the current philosophy of government was; we had to move after Sputnik to put Federal funds of significant order into the training plant of the country. Wilbur Cohen, the Under Secretary of the Department of Health, Education, and Welfare, recently told our National Manpower Advisory Committee and regional chairmen that the ability of government to launch and carry through successfully a number of new

programs hinges on its antecedent ability to broaden and deepen the training structure. It is one thing for the Federal Government to increase its social security support and mail more checks to more people. It is quite another matter to deliver the manpower where it is needed for Medicare, among other programs. It is an important distinction in the realm of governmental activity between mailing checks and delivering services. The only way to deliver services is to make sure that there are people available who are capable of delivering services.

My 4 years on the National Mental Health Advisory Council made it perfectly clear to me that money cannot be put out for research in mental health unless it is put out simultaneously, and previously, for the training of research personnel and service personnel in the mental health field. The Nation is currently engaged in a modest program in the manpower field. But we cannot broaden and deepen the manpower research program until there are more people capable of doing manpower research. Another reason for the continuing growth of the interconnections between government and nonprofit institutions is that the nonprofit institutions play a strategic role in the training of highly skilled personnel.

Still another proposition has to do with the principle of complementarity. Economists have always known this principle, but they never handled it in a fashion which is now necessary. They used to consider capital-labor ratios and they understood that if the price of one factor shifted, the proportions used would shift. I want to broaden the principle to include sectorial relationships between the private and the public economy, to use these terms for the moment.

Take the most dynamic industry in the private sector—the automotive industry. I ask you to think for a moment about what kind of an industry that would be had we not been able to work out a program of public investment in highways to pace that industry. The answer, of course, is that there would be no private automotive industry.

Let me show you what was involved. Actually, it was an historical fluke. To get a highway program started, state legislatures which were friendly to the idea were necessary. State legislatures surely were not friendly to the idea of spending more money than they had. But they found a way of leveling a consumer tax on gasoline which would pay for the highways. That made it much easier for the legislatures to move. Then they found that there was a great big political porkbarrel because of the contracts and the jobs connected with highway construction and maintenance. That gave them the best of all worlds. If you can get your money without too much trouble and you get additional jobs that the politicians can hand out, you will get very good programs in this country. In fact, if we could work that out for air pollution, urban renewal, and so on, we would be on easy street. In the design of new enterprises, the trick is to figure out how State legislatures want to do things and how the Federal legislature wants to do things, how to get the consumer to pay for it, and how to get new jobs out of the deal. The highway toll system was a nice package deal.

Similarly, the basis for urban renewal will be the working out of a complicated set of relationships between the public authorities and private enterprise to move. In communications satellites we have already moved into a more complicated kind of enterprise structure.

Let me give you another example of intermingling of funds. Brookings Institution has philanthropic funds. It also has Government contracts. It is an example of the intermingling that has come to exist in many of the strategic parts of the economy. General Electric and the other G's are another example. They use Government funds for basic research and corporate funds for development. Thus, a large corporation gets Government to carry the big risks and they use their own money where there will be payoff.

Let me digress, since I see one of my friends interested in international trade in the audience. We have an illusion that West

Germany has recovered because of its reliance on "private enterprise." However, if you look at the data carefully and you add the expenditures of the lender to those of the West German Government, you will find that the government sector accounts for roughly 40 percent of GNP. This is probably an understatement because the published figures hide many government subsidies and other forms of assistance. Not only are we confused about ourselves, but we do not have a correct view of others.

I told you that we are finishing a study on nuclear power. This is one of the most striking examples of the new way in which our economy is operating. In this field, the entire initiative was taken originally by the government sector. The nuclear physicists were picked up by the Federal Government under the Manhattan Project, and only now is there the slow emergence of private enterprise. The Federal Government did all of the crucial training in the field of nuclear power, and we could move with its development only as fast as people were trained. This is an interesting and special case.

Regional economics is one of the great neglected areas in economics. Economists are so committed to macroinstruments that it is difficult to think about the United States as a continent and to begin to ask some questions about California, Texas, Florida, and other specific places, including West Virginia. Louis Levine, the U.S. Employment Service head,[2] has to worry about it because he always has specific unemployed people in specific places. He cannot listen to the Council of Economic Advisers, who tell him that everything is fine because all the figures look good in general. To him manpower is always very specific. If we begin to think about regional acceleration and deacceleration, we must pay particular attention to this question of the relationship between the governmental and nonprofit sectors and the private sector. Congressmen fight hard for Government contracts because they have learned, in the simple way that they know their economics, that these contracts are important for their localities. The impact

[2] Mr. Levine is now an Assistant Manpower Administrator in the Manpower Administration.

of the Manned Space Center in Houston has nothing to do with a technological spillout; it is the effect of the dollars going in there. But it does not only go one way. The conservative Texans floated a bond issue to construct the Astrodome in Houston. They floated the bonds, and then they made a lease arrangement with a private group. Now it's operated privately. The same happened with Shea Stadium. New York put up the stadium; now the Mets operate it and pay rent for it. Actually, the development of nuclear power followed the same pattern. All of the development expenses were Federal and now private industry is investing. The notion, therefore, that there is only a one-way movement in our economy and that it is from private to public and that we will find our country socialized shortly is nonsense. It's an old-fashioned misconception. What does happen is much more circular, much more complicated.

Now what does all this mean from the point of view of manpower policy? First, I do not believe for a moment, the Council of Economic Advisers notwithstanding, that our economy has ever provided all the jobs which were needed solely by increasing existing demand. This is a vulgar confusion about how our economy operates. Fiscal and monetary arrangements, which surely can contribute greatly, are not adequate. They are not adequate because we need new enterprises, new products, new services, and the manipulation of the monetary and fiscal arrangements will not necessarily provide them. Innovation and enterprise are preconditions for expansion of employment. That is why I have been stressing the importance of innovation and growth in the governmental and nonprofit sectors; we need new enterprise structures. Perhaps there is a lesson to be learned from the fact that after an industry gets established a lot of constraints are built into it. This happened to the railroads, which became subject to so much local taxation. It may be easier for the airlines today, since they do not yet have so many built-in constraints. This is part of the dynamism of the creative enterprise system. The economy

in order to grow needs new industries because the established industries tend to suffer from increasing constraints.

Let me go back for a moment to urban renewal or urban redevelopment. When Mr. Robert Moses had a half dozen or more jobs in New York, he was personally able to get the different political agencies to agree to move on a piece of property. Since Mr. Moses has been busy with the World's Fair, there has been substantially no urban development and redevelopment in the New York City area, because no one else has been able to push through the political problems. The greatest entrepreneur in the 1950's in this "so-called private enterprise economy of the United States," was Robert Moses of New York, a civil servant. He created a great many jobs and he wasn't concerned with making a profit.

The next point concerns highly trained manpower. It takes 10 years from the planning stage of a new medical school to its first graduating class. We have to have better social instruments for insuring that our manpower supplies are in reasonable balance with our needs. We cannot leave it completely to the haphazardness of the universities. There must be some manpower analysis underway to forecast where we will be 10 years hence, because often a change in manpower supply requires a long lead time to accomplish.

Take oceanography. We are just beginning to learn that this may be important for defense and other areas. We do not have many people capable of working on problems of the ocean. We had better begin to think now about how to increase this number, how to train them, what kind of major universities ought to have charge of training them. It's that kind of planning that we need to maintain adequate numbers of trained men.

Now to the third point on the manpower policy. I called your attention to the heavy concentration of scientists and engineers, particularly research people, in the not-for-profit sector. I know that the Council of Economic Advisers and the Department of Defense are arguing that there is no special vulnerability to de-

fense cutbacks; at the moment there is not much being cut back and the economy is almost in the 5th year of its boom. But it is not quite true to say that nobody has been hurt by these cutbacks. Many of the people employed on defense contracts have narrow skills, and any sudden change in Federal financing, particularly cutbacks, leaves unemployed people and wasted skills. We have not yet worked out a career system under Government contracts. We have been lucky only because the economy has been jogging uphill or has been staying level.

I am afraid that this country will have an oversupply of technical people quite shortly unless, of course, the Chinese and the Russians keep solving our problems for us by making more and more trouble. We have been saved several times in the last years by their policies which have forced us to expand our defense effort. But if, as we hope, they decide to play it the other way, there will be difficult balances to work out. For example, in 1957 or 1958, President Eisenhower did not want to ask for an increase in the debt ceiling. He told the Air Force to stretch out its contract papers. Within 60 days almost every university and aerospace company had sent a representative to Washington, and the White House had to beat a retreat. The defense industry was living completely off the Government and could not maintain its supplies of technical people for 60 days. Since two-thirds of all our employment today is in the service sector and since many of the services are very heavily anchored in the not-for-profit sector, that is, education, health, defense, and so on, it is important to evolve a way for the market system to work better in this area.

At lunch today someone asked, "What sense does it make for OMAT to train people in the health professions so that they can earn the munificent sum of $1 an hour after training?"

In the southern States people have already received more money while they were training than they earned when they were later employed. Many parts of the service sector are so badly structured from the point of view of efficiency and management, from the point of view of living wages, from the point of view of

career lines, that it is almost a joke to talk about the unwillingness of people to take jobs or to work. It is not difficult to find people to work at any job if they are paid a decent wage and they see some chance of improving themselves. But what is the future for a dishwasher who is offered $1 an hour?

It is not helpful to lump the entire service sector of the economy together and contrast it with the goods-producing sector, lumped together. I submit that the concept of producers' services and the fact that producers' services use males, need higher skills, and pay better wages, give an entirely different complexion to the problem of services than the concept of consumer services. We need better data and better analysis of the entire service sector.

On the question of technological change and its impact on manpower, I suspect that the President's Commission on Automation will state that there is no problem or not much of a problem or that it is a misunderstood problem. On the last point, I agree: It is a misunderstood problem. Historically, technology liquidated a large number of jobs in agriculture and is continuing in this direction. One of the Manpower Reports of the President said that we will be lucky if we can employ in agriculture 1 out of 10 people who are now growing up on the farms. We know also that technology liquidated a large part of the jobs in mining and the trends are unequivocal. In manufacturing the situation is a little less clear; we have only recently regained the 1943 peak. I don't say we will not substantially add to jobs in manufacturing, but, in general, I believe that the technological gains in manufacturing will probably enable us to expand to meet the demand without increasing employment proportionately.

Construction is a lagging sector in the economy in terms of productivity. This is the only area in the goods-producing sector where technological advances have been correlated with increases in employment.

From 1929 to 1963 (in terms of 1954 stable dollars) these four areas (agriculture, mining, manufacturing, and construction) of the goods-producing sector increased their output from $122



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billion to $314 billion and did not add, for practical purposes, a single person. We cannot really say that there are no problems connected with technological change.

Now to the service sector and technology. I have no doubt that we will see a lot of new products and new services. But if we repeat in services what has happened in goods, we will have even more difficulty. The service sector supplied jobs while employment in the goods-producing sector was not growing. The question arises over when we will begin to have some redundancy in employment in services. We increased our output of services from $60 billion to $180 billion between 1929 and 1963. But we had almost 85 percent increase in employment to do it with. That is the way we balanced ourselves out.

There is a difference between agriculture and industry. At the beginning of the century when a young man left the farm he improved himself when he came to the city because he got into a factory and got a good wage. What happens now when 20-year seniority workers have to move into the service sector?

With regard to the minority problem, Negroes and women, who are a minority from the point of view of the work force, have found their best opportunities in Government. More and more governmental jobs are being filled by Negroes, which means that there is now a new built-in mechanism for the continuance of the Negro revolution. My recollection is that 30 percent of all Federal Government positions in Chicago are filled by Negroes. This is the result of the fact that they had some chance to get in there during the fifties and sixties. They could not get into industry, which was not expanding enough.

In summary, most of the expansion of employment hinges on the broadening and deepening of enterprise structures. "Enterprise structure" means any structure, private, nonprofit, or governmental, that provides goods and services that the public is willing to pay for. There are complicated relationships involved in the effective expansion of the not-for-profit sector because

of constitutional limitations on the State and Federal Government, limitations in terms of the capital and the initiative of trustees of nonprofit institutions, and the complexities of relationships among these three sectors. I will end by saying that there is nothing wrong with the American economy that better organizational structures and better Government would not solve.

## DISCUSSION PERIOD

**Moderator—Dr. Howard Rosen**
**Assistant Director for Manpower Research**
**Office of Manpower Policy, Evaluation, and Research**

DR. ROSEN: As the moderator I would like to ask the first question, if I may. What happens when we reach an economy where 55 percent of the jobs are controlled by the not-for-profit sector? Do we start thinking about this word profit, and try to find out what it is that stimulates an economy? Is it something other than profit? Is it needs? Are needs more important than profit?

DR. GINZBERG: I don't know whether we are going to get there soon. I don't think so, nor do I think it's desirable to get there soon. My own view is (and this is straight personal political philosophy) that there is no advantage to having governmental instrumentalities and/or nonprofit instrumentalities deal with the production of goods and services, if we can avoid it. I would like the country to spin off as much as it can, even when there is a necessity for government and nonprofit institutions to take the initiative.

I even suggested that Columbia University be turned into a limited partnership run by the professors for profit. Then we might get sensible faculty utilization. Perhaps, in order to run a university properly, we must put some incentives into the system so that the faculty members who protect their own positions would see advantage from altered utilization patterns. I am exaggerating, of course, but I think we have to become philosophical about what we can go on, where, and how.

Now, in the medical field there is a great objection to running hospitals for profit. Every leader of American medicine thinks that is a horrible notion. I submit that maybe we ought to go back and learn how government could pay for training in hospitals and perhaps put management with a profit motive back into this colossal hospital business. I am not in favor of increases in only one sector.

DR. ROSEN: I was not actually asking whether you favored such a great increase in employment in the not-for-profit sector or not. But I was wondering whether, if this occurred, we should then start to rethink this whole question of profit as a motivating factor for the economy's development.

DR. GINZBERG: To me profit has always meant some way of keeping a set of books to tell you how you are doing in terms of the accounting system that you are using. If you do not use money, you have to find some other way. During World War II the problem was to control a military system in which money did not count and manpower was the crucial factor. We worked out an accounting system in manpower and tried to relate it to functions. But I am not really in favor of looking for big, new, fancy accounting systems. I do believe, however, that the Federal Government should undertake a budget analysis with capital and current accounts separated.

DR. ROSEN: Are there questions or comments from the floor?

FROM THE FLOOR: This is just a reflection of what I caught in the way of an attitude on your part, Dr. Ginzberg. Let me put it this way: If the Council of Economic Advisers wishes to use the Federal system to pay taxes back to the States, aren't they just saying, "We think this is the mechanism to do what you propose to do?" In other words, is there really a contest or a fight, except among professionals, about how it would be effective? Is the fiscal suggestion not but a symptom of the same needs that you described?

DR. GINZBERG: I don't think you can do all the things that I want done via the tax approach alone. It may be sensible or not sensible. I do not want to go into the issue of giving part of the federally generated taxes back to the States. I can see from reading the newspapers some of the trouble this would cause, and who would get what in certain States, if it were done. I am a little bit more cautious with the Federal-State system. Trying to operate a market system via general tax approaches is a poor method. I don't think you can pull enough money out of the taxpayers to do all the things that we need to do. Therefore, I want to develop many intermediate structures which can make use of a price-cost consumer selection and choice system. I would say this differs from what you just described, although I might want to go your way, in addition.

FROM THE FLOOR: You mentioned that in the agricultural revolution, or rather, in the industrialization of agriculture, people left the farms and found a place in factory employment which afforded them a better way of making a living. You said this is not the case now, with people leaving the factories to go into service industries. As you said, the fellow working in the steel industry with 20 years of seniority is not going to be able to make the same kind of living in service industries. Now, for those persons who are in the professional and technical fields, the shift out of manufacturing is not going to be catastrophic. They will probably be able to earn the same kind of money, apparently, as persons who have industrial skills. Do you have any solutions to propose? Do you see anything in the trade union movement which will effect for the services what it was able to effect in the factory?

DR. GINZBERG: That's a nice question. We need trade union activity on a big scale in the service sector if the economy is going to be vibrant and effective. I think it's coming slowly. In the leadership changes in the trade unions of white-collar workers, you begin to see some movement. There has been a tremendous revolution in the rights of government officials and employees.

We have seen a strike in New York recently worked out in favor of the union. We need 10 years to see this work itself out. I would expect to see considerable growth in the trade union movement in the service sector and with that, considerable corrective pressure on the abysmally low wages in many service fields.

But there is another problem in the service industry area. I think the whole area needs more managerial competence. You will not get good wages because you have a union. The union is not, after all, like Moses with a staff getting water out of rock, unless the Lord facilitates the operation. Management can pay only if management knows how to use labor effectively.

FROM THE FLOOR: How can one stimulate that kind of management?

DR. GINZBERG: Movement is slow, but it is beginning. It is not sensible practice for management to buy cheap labor, because you get what you pay for in this economy. If you use cheap labor, you usually don't get much work.

I want to make one other point. It has to do with the Negro in the service area. You hear, usually from people who do not know much about the Negro revolution, that Negroes are not willing to take certain kinds of jobs. That's quite true. One of the reports from Watts stated that a Negro who was offered a job replied that he would not work for less than $2 an hour. That, of course, is a pretty nice wage. But the man really did not mean $2 an hour. He meant that he wanted a job with either current wages or some prospects of getting them. The problem is, therefore, cleaning up the service area and making it a more efficient kind of an operation with more managerial know-how built into it. Then management can pay decent wages and people can move into a progression of jobs, which is tremendously important. This is one of the serious bottlenecks in the long-term adjustment of labor supply and labor demand in this country, and it is particularly acute with respect to the Negro group.

Another point I want to make about Negroes is that we have shifted the place of competition from where it used to be in the old days, at work, back into the schools. A lot of people's lives are foreordained in terms of what happens or does not happen to them in school. That's a dangerous way to run a society. But we don't seem to be able to get out from under it. This is an added burden in terms of adjustments today compared with an earlier day. A youngster's pattern of life is determined by the time he is 18 or 19. Many are finished before they have started. Mr. Nelson Rockefeller, talking to a group of youngsters yesterday, said: "You know, I had two grandfathers, both of whom were school dropouts. But I don't advise you to follow them, because times have changed."

FROM THE FLOOR: I am not quite sure about the causes of the dynamism of the public sector. Is it because there has been a maturation of fatigue in the private sector, or are we in a new area where there are new conditions and needs that the private sector cannot fill?

DR. GINZBERG: That is one of the 64-dollar questions. I would answer both ways. I do not really think that the private sector is petering out, that there are not going to be more goods and services that people want to buy and more and more people interested in making dollars. That's silly. We can, however, identify some of the forces at work. Defense became an overriding goal for the public, which decided to put a tremendous amount of resources into defense. The subtle question is, "What would have happened had these resources been free?" Would the private sector automatically have absorbed them? Would the price-cost relationships have permitted the investment of all the money that people wanted to save, et cetera? There is a big difference of opinion. I quoted Ed Mason in passing because I think he and I share a prejudice on this point, namely, that there might have been difficulties in permitting the private sector to invest all of those funds at an optimum rate. So, I have some questions about relying solely on the private sector.

But there is a second problem. There is a shift going on between products and services. In metropolitan centers, citizens need certain services and they become more and more important the more metropolitanized the city becomes. It would be nice to live in New York and to have a chance to breathe some clean air and to walk in the park safely—clean air and police protection are basic. A great many large cities in the United States today cannot provide them. Built into the population density is the need for a lot of services. And, as I mentioned in passing, many of these services cannot be sold by the big G's, although perhaps General Motors could take over the policing of New York. But, in general, General Foods, General Motors, General Electric, and General Dynamics cannot produce some of these services that lie between the private and public sector. That is one of the reasons that the not-for-profit sector is growing very fast. We have not yet learned to produce universities that can operate successfully for profit. Maybe one of these days we will.

FROM THE FLOOR: Is that how you account for International Telephone and Telegraph going into business to operate Job Corps camps?

DR. ROSEN: Does someone in the audience wish to discuss that?

FROM THE FLOOR: Yes. Private enterprise is finding that the service field is growing, and that education is a great opportunity, and they are shifting with the new opportunity, such as the Job Corps camps in which youngsters will be taught to become employable. This is evidence that private enterprise is quite alive to new opportunities.

DR. GINZBERG: I think there are some people in defense companies who have gotten used to living with the Federal Government and find it quite profitable—in fact, essential. That is the other half of the story. That is, if they do not get contracts of one kind, they must have contracts of another kind. I was impressed with the testimony given to Senator Joseph Clark's com-

mittee by the heads of big aerospace companies in California. One after another, they testified that they could not convert to the private economy. I suspect that has something to do with private enterprise and the Job Corps camps.

FROM THE FLOOR: It seems to me that the proposition you have laid out suggests that management and participants in not-for-profit organizations can be every bit as zealous in pushing the organizations' interests in providing services, without access to a private profit relationship. I would like your comments on the vis-a-vis profit as the only motivation to public service. Also, do you have any historical comparison of the percent of the involvement of government in the not-for-profit sector in the economy many years ago—for example, after the Civil War?

DR. GINZBERG: On the first point, one can identify well-run institutions which operate in terms of pseudo-profits or shadow profits. There is no question about that. I would say the Port of New York Authority is a well-run operation. There are other problems, however. If a public authority like the Port of New York is not run for profit, how do you control it? Who controls the investment? How do you set the prices? I do not want to move away from the market structure, you see. This is part of the problem.

FROM THE FLOOR: That is not the same thing as profit.

DR. GINZBERG: I agree. But market facets interest me more than profit. The Port of New York Authority surely operates reasonably effectively in our kind of economic system. The critical question is not profit, but the quality of management. That can be poor also in the private sector.

I'll tell you a story about what happened many years ago when I called on Mr. Justice Brandeis at the beginning of my career. I told him I was going around the country to look at large industry, large corporations. He said to be sure to come back to see him when I was finished with the study. I did, and he said, "All right,

what did you learn?" I said I had confirmed an interesting fact which my teachers had taught me: I learned that we didn't have to be so scared about monopolies. This was in 1933 and 1934. I said that a lot of these great big giants were doing very badly. I think as an example I used U.S. Steel, compared to Inland Steel, which had more flexibility. I said, "Give them enough time and they will go under." He said, "Aha, you missed the point. The question is, how many other people go under while you wait for them to go under?" So, the question of how efficient or how inefficient an organization is depends on more than an accounting statement of profits.

On the second point: One of my collaborators, Dr. Reubens, did an outstanding study on New York State as the key enterprise unit in the early development of business in 19th century New York. The study is being published by the American Philosophical Society. There is no doubt that we have misread our history and that the interplay between government and the private sector has always been very much greater than we have acknowledged.

I'll give you one other piece of history. The railroads were run by the Federal Government pretty successfully in World War I. But after the war the slogan was "Return to Normalcy." It has always seemed to me that the conservative business groups wanted to erase from the image of the country any notion that the Government could do anything properly.

FROM THE FLOOR: You said that one-third as the proportion of the total employment accounted for by the not-for-profit sector is an understatement, because you are not including those activities subsidized by the Federal Government.

DR. GINZBERG: You know, when you write a book, and when you write as many as I have, one of the tricks you learn is knowing what problems to avoid. If you don't avoid some problems, you never write books or you never get them finished. I stayed with certain kinds of constraints. In *The Pluralistic Economy* I did

not deal with subsidies, credit lines, the whole mechanism of financial support, because that is another very big arena. If you wanted to do a comprehensive job on the interrelationships between the private and the public economy, you would have to make allowance for that. I did not because I thought I would then get the subject so muddied that the connection between enterprise and employment would be lost.

FROM THE FLOOR: Do you see any evidence of the polarization of the labor force as the result of the disappearance of skilled craftsmen? If so, are we doing as much about it as we can?

DR. GINZBERG: Why do you pick out the skilled craftsmen as a disappearing group? I suppose the labor force undergoes constant transformations.

FROM THE FLOOR: When I say polarization, I refer to all the people who are motivated not only to finish high school, but to go on to college and very often become professionals.

DR. GINZBERG: I think what happens is a result of the fact that this is a free society with a lot of options. I have not been surprised that a lot of people do not want to be trained for technicians' jobs in the United States, because with a little bit more effort they can become professionals. With a little bit of effort at night, they can change the 2-year college credits into 4-year credits. In the States which have junior colleges a lot of people have gone on from 2 years of junior college to complete 4 full years. There are always problems about imbalances as of any moment, given discrimination, given employer disinterest, given trade union constraint, and so on. But if you look at it more broadly, we may be accumulating very large numbers of people, and we may even be accumulating them in the large cities, who are not going to have an effective relationship to the labor force and to work. This brings on the social, political, and economic explosiveness of unemployment.

One of the most important figures that one of the Manpower Reports has revealed was the dropping out of the working force of Negro males in the prime work ages. They are disappearing at three times the rate of the whites. That means that they look for jobs for a while and, having no skills and little education, they don't find them. It's that kind of noneffective relationship to the labor force of large numbers of people that is alarming. At the moment, we are playing a game. We have put so many people in the training pipelines, just as Mr. Roosevelt did in the late 1930's. Perhaps we won't know what this is all about until they start coming out of the pipelines. I heard the other day at the meeting of the Regional Manpower Advisory Committee in New York that one friendly employer in New York was deluged by requests from 12 or 14 different government agencies, Federal, State, and local, to take their graduates for the few jobs he had. We are in a nerve-racking intermission at the moment; we have established big training programs and we are about to find out how the graduates are going to be absorbed.

DR. ROSEN: I would like to raise another question pertinent to the one raised about the difference between you and the Council of Economic Advisers on methodology of stimulating employment, of getting people who are not associated with the labor force back into it. I would like to hear your comments about whether we have to develop different techniques, other than just fiscal techniques, for reaching people with certain employment problems, such as no skills and little education.

May we have your comments on that?

DR. GINZBERG: Most of the people discussing this point fail to understand that you cannot think about incentives to work unless you bring the whole relief structure into purview. If a man can earn almost as much by doing nothing, and especially if he cheats on the margins a little bit, why should he take a job? The basic model of the Council is fundamentally in error, unless the whole relief structure in relationship to the way wages are sup-

posed to operate is built into it. That is point number one. I have tried to call the Congress' attention to the importance of correlating relief structures with a lot of its manpower policies. But even Senator Clark has been very loath to get pushed in that direction. I think he figures he has enough troubles without taking that one on. But it is not sensible for the long pull to think you can devise manpower policy without reference either to wages or relief.

Another assumption in the Council's model is that the mechanisms of the marketplace are such that if you can only stimulate demand, the market will operate in such a way that people will fall into the right places. Now, there is a lot of evidence to suggest that the mobility inherent in the marketplace is very considerable and not to be minimized. But, historically, the market institutions were never as good as they were supposed to be. We used to hide the poor whites and the Negroes on the southern farms, and they had no effective relationship to the economy. The rest of the people used to hide out in Europe, waiting to immigrate when the economy got better. All the studies on immigration and the cyclical behavior of the market in the United States show that. I submit that these mechanisms never did work as well as people thought they did, although they worked pretty well, and that now people who used to be in Europe or on the southern farms are in the northern cities. This creates a different situation: Thousands of alienated people living in misery in the middle of big urban centers implies an explosive potential that did not exist under a system of segregation and oppression, which was, after all, a characteristic of the United States in a large part of the South for close to 100 years.

FROM THE FLOOR: I was in Chicago recently and I had the occasion to visit a Sheltered Workshop run by the County Department of Public Assistance. It is required of all persons who apply for welfare that they be evaluated for work potential. If they are found to have work potential, they are sent to the Sheltered Workshop.

The money they earn in the Sheltered Workshop is offset against their welfare. If they fail to show up, they get docked. In other words, this loss is not reimbursed by welfare payments. Also, able-bodied welfare recipients are required to work on public projects as long as they do not replace the regular employee. Now, this I bring up in relation to your statement that you have to relate your welfare programs to manpower policy, too. I also had the occasion to talk to some staff members in various rehabilitation workmen's compensation offices. It's very difficult to get a worker in rehabilitation when he is receiving, or expects to receive, sizable benefits. So, their point was that somehow or other, we have to cut that out as the motivation. Perhaps you might want to comment on the idea that we cut down these antimotivational benefit structures, and go back to the 17th and 18th centuries and say, "Work or starve."

DR. GINZBERG: I want to go both ways.

DR. ROSEN: You want to feed them and starve them?

DR. GINZBERG: Yes, feed them and push them. I think it is about time we built up a relief system that has reference to the manpower dimension, that we build it up along different lines without much integration. A lot of foolishness got carried over from the social workers, who were fighting a system of the 1930's that is no longer our world. I am sympathetic to why they fought the way they did. But those times are over now. The Commissioner of Welfare in Chicago, whom I know well, is not trying to be nasty or difficult. He is trying to use his head in a very complicated world. I may agree that there are some disadvantages in our present welfare system. There are also disadvantages from lack of welfare. The number of youngsters who come to school in the morning unable to learn because they have not eaten, because their parents still do not get enough money to feed them properly, is an equally serious matter. In this country we have an inadequate welfare structure and one that has not been dovetailed. I want to begin to dovetail it. I also want to

improve large pieces of it, because, to use Mr. Folsom's old expression, it was primarily a maintenance, not a rehabilitation-oriented, structure. A sensible welfare structure would want to rehabilitate the people on welfare, except for the older people, and we have not thought our way through to what it takes to get a sensible rehabilitative welfare structure. It must be correlated with manpower policy.

FROM THE FLOOR: You spoke about the nonprofit organizations. A large number of citizens are being priced out of services provided by these institutions, such as higher education and medical care. You say we can get only so much money out of general revenues. Could you comment on how these sort of things are going to be financed?

DR. GINZBERG: A very good point. You know, every time I hear a question about problems that I cannot solve, I say, "A very good point." I remember a discussion with the late Aneurin Bevan, the British Health Minister, who was an old friend of mine. We had big arguments about services. The problem of partial pay is one of the great big problems in the twilight area between the public and private economy. This is the question of a person's ability to pay part of his way, but not all of his way, and the subsequent question of how to run a democratic society with a means test. I don't think it can be run without a means test, but how do you run it with a means test and still have regard for the individual? These are tricky problems.

We ask youngsters in private colleges who ask for scholarship help to submit a financial statement, and then scholarships are graded in terms of some estimate of family need. But if you suggest in New York City, as I have, that city colleges charge for tuition and simultaneously put out a lot of free fellowships and sliding fellowships, they think this is pre-Herbert Hoover thinking. I see no reason why New York City should provide free education at the higher level for youngsters whose parents have $12,000 and $15,000 incomes. Since the city does not have

enough money to do everything it needs to do, I want to make sure that the youngsters from poorer families get higher education if they are qualified.

We must undertake a tremendous amount of rethinking of very elementary instruments and very complicated ones. We have to begin to move toward sliding scales of charges for a large number of essential services. We are either not going to have the services or they are going to be of poor quality.

FROM THE FLOOR: Isn't there some kind of preexisting demand for these services in hospital care or education?

DR. GINZBERG: I don't know. We have made some progress in this country with loans for education. But I don't want people to come out of school so heavily burdened that they will have to work off their loans for the next 15 years of their lives. We have said that investment in education is going to give them a differential return on their earnings, and we ask the investor to bet on himself a little bit. In our school we have a combination scholarship and loan program. I think it's two-fifths scholarship and three-fifths loan.

FROM THE FLOOR: Will you expand on this?

DR. GINZBERG: You can give more scholarships if they are very low. We have tried to remove all financial economic barriers to study in our school on the assumption and hope that anybody who wants to come to our school can come. There is a real barrier from the point of view of finances, but the student has to be willing to assume some potential debt. Y ı can earn enough to pay it back very quickly. There is no reason why he should not bet on himself. There is a lot to learn about the appropriate market mechanism to use in this increasingly complicated intermingled system. I do not think you can keep on using general taxes for everything you would like to have. You see, the simple way to do it would be to make all higher education free of charge. But I don't think it's going to work forever, even in California. There

are certain reasons why it worked for a certain period of time in California. But I don't think it's going to work in the long pull, surely not without serious deterioration of the public institution.

FROM THE FLOOR: Would you care to comment on Milton Friedman's proposal for general subsidies?

DR. GINZBERG: Friedman is very imaginative. From what I know of the income tax structure in the United States, I would be loath to try to expand it for this purpose. It has just not worked well enough in general to accomplish certain other ends. But in a democratic society, certain people have minimum income needs. There is a way of funneling some income to them and letting them make some other decisions.

I have a further objection to it. I am frightened of the way in which this could be played through time. Maybe the bugs could be worked out, but I doubt it. In addition, many of the people with little income have so little because of certain educational, personality, and other defects. Or they are alcoholics. One of the worst problems in the welfare system is the man who drinks the food check away. With him the problem is to get the check to his wife so that the youngsters will get enough food. Now, when you come against real life, Milton Friedman's equations are too simple. It would be a nice solution if we could just hand people money. I would be in favor of it if people were different. But if they were different you wouldn't have to give most of them the money.

FROM THE FLOOR: Is it of more advantage now to improve the social welfare motive than to encourage the profit motive, and if so, how should resources be shifted? How can we expect resources to shift from the profit sector to the social welfare sector?

DR. GINZBERG: I never understood Galbraith's argument, really, although I like him. We have a political mechanism in which people, through their elected representatives, can decide

to tax themselves and go into debt for the amount that they want or for whatever services they would like. Now, in a competitive State structure, there are limits to what any State can do before it loses the tax base from which it is supposed to get the added income. That's the problem. On the Federal side I would say that the only problems are finding the optimum incentive level of yield. At the Federal level, we do have mechanisms through which the public can express its emphasis for however much of its total income it is willing to give for social services. So, we have the mechanism. I just want to establish this part of the argument.

Let me go back for a moment. If you study large corporations, you might ask the question, "How much critical decision making is geared to the making of profits?" Profit is the result of an amalgam of a tremendous number of different decisions, which people try to make more or less reasonably and sometimes rationally, within a political environment. Large corporations have a very political environment and profits give the board and the stockholders some kind of rough estimate of where the corporation is and where it's going. Now, if you say that there ought to be alternative devices which could tell about the effectiveness with which operations are carried on in government or nonprofit institutions, I would agree. But they are not easy to develop. It's perfectly clear that profit is not a sufficient criterion. In a hospital you really are not interested only in knowing whether the hospital can balance its books. You also want to know how many unnecessary operations were performed, how many people died who should not have died, how many people stayed there too long. Many other sophisticated criteria could be used.

I think that if you studied the modern corporation through time, you would find that you need supplemental criteria to profit-making. Profit is a very crude first estimate of what is going on. For example, how do we learn about what goes on in public services? New York City is going to get a new mayor; a Republican mayor, and this is the way the public has assessed the

quality of services which the last group provided. The next one may be worse, but at least the public has decided to get the old management out.

FROM THE FLOOR: Could you be a little bit more precise as to why these new programs in the public spending area can be financed out of general tax revenues?

DR. GINZBERG: That is a good question. I don't pretend to be at home in public finance, although I was interested in this area as a young student. There are constitutional limitations, and the interstate competition factor which inhibits what localities and States can do with respect to taxes. Whenever a State moves with respect to its tax levels, it has to see what the repercussions will be in the competitive economy. This is one kind of constraint.

On the Federal level, the whole argument about the tax revision in the last few years was based on the belief that high tax rates could be a disincentive to the expansion of business. While you could use tax reductions to reverse this, the question is, "What are the hidden costs that you pay for by going this route?" Now, I was never quite as convinced as some economists were, that we had to reduce taxes and that this was the only way to keep the economy expanding. I think it was an easy, convenient, political way to move. But at some point you do come to ceilings and then an attempt to get more taxes through conventional mechanisms, or any alternative mechanisms that you can sell, is too difficult. Therefore, we need to find more ways of having money flow from consumer to big public services. There is a further reason. I think it's highly desirable to have the consumer make choices wherever possible. I think it's nice to give the consumer a choice to ride on a toll road or a different road, if we need both.

I think it's a good idea for Jones Beach, not all beaches, but Jones Beach, which is a little fancy, to try to pay for itself by charging the people. Why not? We have increasingly a middle-class society with a lot of disposable income. We have some poor

people who really have no disposable income and have to be helped. What I am really saying is that those in the middle area of the income distribution are earning more. I simply want to leave the market operating over as wide a range as possible, because I think it is a better mechanism than political decisions which determine what people ought to have and ought not to have.

Thank you.



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